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WILLIAM T FUJIOKA
Chief Executive Officer

December 22, 2010

To: Mayor Michael D. Antonovich
Supervisor Gloria Molina
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Supervisor Zev Yaroslavsky
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From: William T Fujioka
Chief Executive Officer

WASHINGTON, D.C. UPDATE

The 111th Congress will adjourn shortly without completing action on many major bills, including legislation to reauthorize surface transportation, Temporary Assistance for Needy Families (TANF), Water Resources Development Act, and Workforce Investment Act programs. These programs, instead, were temporarily extended into next year. Congress, however, failed to extend the TANF Emergency Contingency Fund, Build America Bonds, and Recovery Zone Bonds, which had been established under the American Recovery and Reinvestment Act of 2009.

Federal Fiscal Year (FFY) 2011 Continuing Resolution

None of the 12 FFY 2011 appropriations bills were enacted. Before adjourning, Congress, instead, passed H.R. 3082, a Continuing Resolution (CR), which temporarily funds Federal programs and operations through March 4, 2011. This CR funds programs of County interest at their prior year levels and does not include any earmarks. Senate Republicans previously blocked both a House-passed year-long CR and a draft omnibus appropriations bill for FFY 2011, which had been crafted by Senate Appropriations Chairman Daniel Inouye (D-HI). Both of these bills would have funded most programs of County interest at or near their FFY 2010 funding levels. A notable exception is that funding for the Child Care Development Block Grant (CCDBG) would have been increased from $2.127 billion to $2.501 billion under the House CR and

$2.808 billion under the draft Senate bill. California uses part of its CCDBG funds to help finance Stage 3 child care. While the House CR did not include earmarks, the draft Senate bill included $8 billion in earmarks, including for Army Corps of Engineers projects in the County, such as $1,413,000 for Marina del Rey dredging, and for County departments, such as $725,000 to the Sheriff for a rape kit backlog elimination program.

Congressional Republicans oppose FFY 2011 funding for earmarks and also support a reduction in overall discretionary spending in FFY 2011 to the FFY 2008 spending level, which would represent a roughly $100 billion reduction below the FFY 2010 level. By blocking the enactment of year-long FFY 2011 appropriations, Republicans will have greater influence over the final outcome of FFY 2011 appropriations in the upcoming 112th Congress when they will have majority control of the House and have significantly more Senators.

Other Legislation Enacted in December

In addition to enacting the Continuing Resolution, Congress also enacted two other major pieces of legislation of County interest earlier this month.

Tax Extender Legislation: H.R. 4853 (Public Law 111-312), the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010, was signed into law on December 17, 2010. At an estimated cost of $858 billion, this bill extended the Bush tax cuts for two years as well as many other expiring tax provisions. However, neither Build America Bond nor Recovery Zone Bond authority were extended beyond their sunset dates of December 31, 2010. Of County interest, several energy-related tax incentives and the New Markets Tax Credit, which encourages investments in economically distressed communities, were extended through December 31, 2011. The bill also extended through January 3, 2012 expanded unemployment insurance benefits for up to 99 weeks for long-term unemployed workers.

Medicare and Medicaid Extender Legislation: On December 15, 2010, H.R. 4994 (Public Law 111-309), the Medicare and Medicaid Extenders Act of 2010, was signed into law, which delays for one year through December 31, 2011, a 25 percent reduction in Medicare reimbursement rates for physician services. Reductions in Medicare physician payment rates have been "temporarily" postponed since 2002. A permanent remedy has not been enacted because of the high cost of doing so. The Congressional Budget Office estimated the one-year delay in physician payment reductions in H.R. 4994 to total $14.9 billion. To finance this delay, the bill amended the recently enacted health care reform law to increase the amount of health insurance exchange subsidy that must be repaid if an individual's or family's income is higher than anticipated when the subsidy was initially calculated. Under the health care reform law, the amount that is required to be repaid was capped at $250 for individuals and $400 for families -- caps which are eliminated under H.R. 4994.

Of County interest, the bill also extends the Transitional Medical Assistance Program, which provides transitional Medicaid benefits to families who left welfare for work, for one year through December 31, 2010.

Pre-Disaster Mitigation Reauthorization Legislation

The House cleared H.R. 1746, legislation which reauthorizes the Pre-Disaster Mitigation (PDM) Program, on December 21, 2010; one day after the Senate passed it. The President is expected to sign the bill into law. This program provides grants to state and local governments, on a competitive basis, for pre-disaster mitigation projects, such as seismic safety improvements. The bill authorizes appropriations for the program of up to $180 million in FFY 2011, $200 million in FFY 2012, and $200 million in FFY 2013. It also increases the statutory small state minimum from $500,000 or one percent of total funding, whichever is less, to $575,000 or one percent of total funding, whichever is less. In addition, the bill also includes language prohibiting any appropriated funds from being used for Congressional earmarks. In FFY 2010, Congress earmarked PDM funds for 68 projects.

We will continue to keep you advised.

WTF:RA
MT:sb

c: All Department Heads
Legislative Strategist